



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
G16/1C

27 March 2020

The Chief Executive
All Registered Institutions

Dear Sir / Madam,

**Circular Issued by the Securities and Futures Commission (“SFC”) on
Reminder of important obligations to ensure suitability and timely
dissemination of information to clients**

I am writing to draw your attention to a circular issued by the SFC to intermediaries today, reminding intermediaries of their obligations under the “Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission” when distributing investment products to their customers, in particular (i) the suitability obligations when they make a solicitation or recommendation; and (ii) the obligation to timely disseminate information where they hold an investment product directly or indirectly on behalf of their clients.

Registered institutions (“RIs”) are reminded to conduct proper product due diligence on a continuous basis, taking into account, among others, the fluctuating market conditions amid the COVID-19 situation, which may impact on the risk return profiles and prospects of the investments. Where the continuous review by an RI of the risk rating of an investment product it sells results in a higher risk rating being attributed to the product, the RI should follow the existing requirement¹ of disclosing such increase in risk rating to customers to whom it recommended and sold the product.

¹ Section (A)(II.3) of Annex 1 to the circular of the Hong Kong Monetary Authority (“HKMA”) dated 25 September 2019 on “Investor Protection Measures in respect of Investment, Insurance and Mandatory Provident Fund Products”; recommendation 14 of Annex to the HKMA’s circular dated 20 January 2012 on “Applicability of Enhanced Measures to Sales of Investment Products to Private Banking Customers”; and the HKMA’s circular dated 20 December 2012 on “Applicability of Enhanced Measures to Sale of Investment Products to Corporate Customers”.

The HKMA will continue to monitor RIs' compliance with the regulatory requirements as part of its on-going supervision.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

c.c. SFC (Ms Julia Leung, Deputy Chief Executive Officer and Executive Director (Intermediaries))